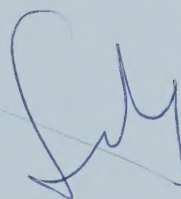


AR51

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Consolidated East Crest

*Dynamic Group
(Kostalik)*

OIL COMPANY LIMITED

1969

ANNUAL REPORT

August 31, 1969

Consolidated East Crest OIL COMPANY LIMITED

(Incorporated under the laws of Canada)

*A member of the Dynamic Group**

DIRECTORS

ROBERT CLIVE BROWN, *Calgary*
FRANK BROWN, *Calgary*
ARCHIBALD PARK NEWALL, JR., *Calgary*

OFFICERS

FRANK BROWN, *President*
ROBERT CLIVE BROWN, *Vice-President*
ERIC F. LOWICK, *Secretary*
ROGER D. PAUGH, *Treasurer*

HEAD OFFICE

210 - 736 - 8TH AVENUE S.W.
CALGARY 2, ALBERTA

AUDITORS

CLARKSON, GORDON & CO., *Calgary*

BANKER

THE ROYAL BANK OF CANADA, *Calgary*

REGISTRAR

GUARANTY TRUST COMPANY OF CANADA, *Calgary*

TRANSFER AGENT

GUARANTY TRUST COMPANY OF CANADA, *Calgary & Toronto*

SHARES LISTED

TORONTO STOCK EXCHANGE, *Toronto*

* The term "Dynamic Group of Companies" is used to refer to the following companies collectively: Permo Gas & Oil Limited and its subsidiaries, New Continental Oil Company of Canada Limited and Consolidated East Crest Oil Company Limited, together with affiliated companies, Dynamic Petroleum Products Ltd., Royal Canadian Ventures Ltd., Mill City Petroleums Limited, Crusade Petroleum Corporation Limited, Dynalta Oil & Gas Co. Ltd. and Dynamic Mining Exploration Ltd. (No Personal Liability). These companies are separate and distinct Canadian corporations having an interlocking directorate, interlocking share positions, common management and the same executive offices.

TO THE SHAREHOLDERS

SHAREHOLDER RELATIONS

We are pleased to present to our shareholders the annual report and financial statements of the company for the year ended August 31, 1969.

Your directors are very cognizant of the fact that the year 1969 has been a year of unusual interest and concern to our shareholders. Vast numbers of letters and inquiries have been received and answered dealing for the most part with a uranium discovery in northern Saskatchewan by Gulf Minerals Company and widely fluctuating prices in the open market trading of our speculative securities.

In our last annual report we indicated that our exploration activities would be largely directed towards the search for base and precious metals and in this regard our shareholders must realize and appreciate that while there are similarities between oil and mineral prospecting, there are even bigger differences. In the case of an oil discovery, and since oil is a liquid, you can determine quality immediately; you can, if you want, begin producing the oil right away and the extent of the discovery can generally be determined fairly quickly by the drilling of stepout wells. On the other hand in the case of uranium for example, particularly in a vein-type deposit, the grade of the mineralization can vary drastically in a matter of a relatively few feet. You have to drill a lot of holes to get an average and furthermore uranium doesn't flow to you - you have to go to it and you have to dig out every bit of it. For these reasons Gulf Minerals Company, a subsidiary of Gulf Oil Corporation, has been actively engaged since October, 1968 (when an exploratory hole was drilled in the Wollaston Lake area of the Province of Saskatchewan in which ore grade uranium mineralization was encountered) in determining the extent of the deposit and evaluation drilling is continuing. When Gulf has completed its studies pertaining to assured reserves, mine and mill feasibility, markets and other economic factors, its decision will be announced and at that time, but not before, will we be able to inform our shareholders.

The shares of the company traded in substantial volume on the Toronto Stock Exchange during 1969 and while this interest in our securities is gratifying, our shareholders must not look to the directors and officers of the company for an explanation of fluctuating market prices. We are very optimistic that our efforts in the mining industry, and the uranium discovery in Saskatchewan in particular will materially

affect the future prosperity of the company and will eventually lead to some stabilization of prices in the open market trading of our securities. On the other hand, however, we cannot predict the extent or duration of opposing factors such as anti-inflation pressures, etc. We will continue to keep our shareholders informed as to important developments.

EXPLORATION

During the year under review the company, in co-operation with associated companies, has participated at little cost to itself in extensive widespread mineral exploration programs in the Provinces of British Columbia, Saskatchewan, Manitoba and in the Northwest Territories. These programs which are covered in greater detail elsewhere in this report have resulted in proving up additional reserves of ore around the Gulf Minerals Rabbit Lake uranium discovery, several new uranium prospects in the vicinity of, or on trend with, the Gulf Minerals Rabbit Lake discovery which are now being evaluated by diamond drilling; significant discoveries of uranium and other minerals in the Baker Lake region of the Northwest Territories, a significant discovery of porphyry type copper mineralization in the Barriere Lake area near Kamloops, British Columbia and in outlining numerous other mineral prospects in western Canada to be diamond drilled commencing early in 1970.

FINANCIAL

The operations of the company during the year resulted in a net loss of \$41,791 as compared with a net loss of \$248,372 during the preceding year. Working capital deficiency increased during the year from \$97,313 to \$144,135.

GENERAL

The directors wish to express their appreciation to the shareholders for their interest in the affairs of the company and to the employees for their loyalty and personal interest in our activities.

On behalf of the Board,

FRANK BROWN

President

February 2, 1970.

MINING EXPLORATION AND DEVELOPMENT

Following is a regional summary of the mining exploration and development ventures in which Consolidated East Crest Oil Company Limited has participated during the year under review in co-operation with Associated Companies. The various regions and areas are illustrated by maps throughout this report.

BRITISH COLUMBIA

In the Province of British Columbia the Dynamic Group of companies operate under the name of Royal Canadian Ventures Ltd. from an office in Kamloops. An active exploration program was continued in 1969 and several new properties were added to the companies' holdings. Activities have been largely centred around the Kamloops area and northward as far as the Babine Lake area where a total of 1,180 mineral claims are held by the Group in 23 separate properties of which 3 are scheduled for diamond drilling commencing in January 1970. The various properties are shown by areas on the map of British Columbia accompanying this report and following are more detailed particulars pertaining to certain of these areas. The company has a 14.3% working interest in these properties with the exception of areas 18, 23 and 24.

Areas 8 & 10

These two areas comprising a total of 32 mineral claims have been studied by geophysical, geological and geochemical surveys during the past summer and anomalous areas have been outlined. Present plans call for diamond drilling on both properties commencing in the month of January 1970. Both are considered copper prospects.

Area 19

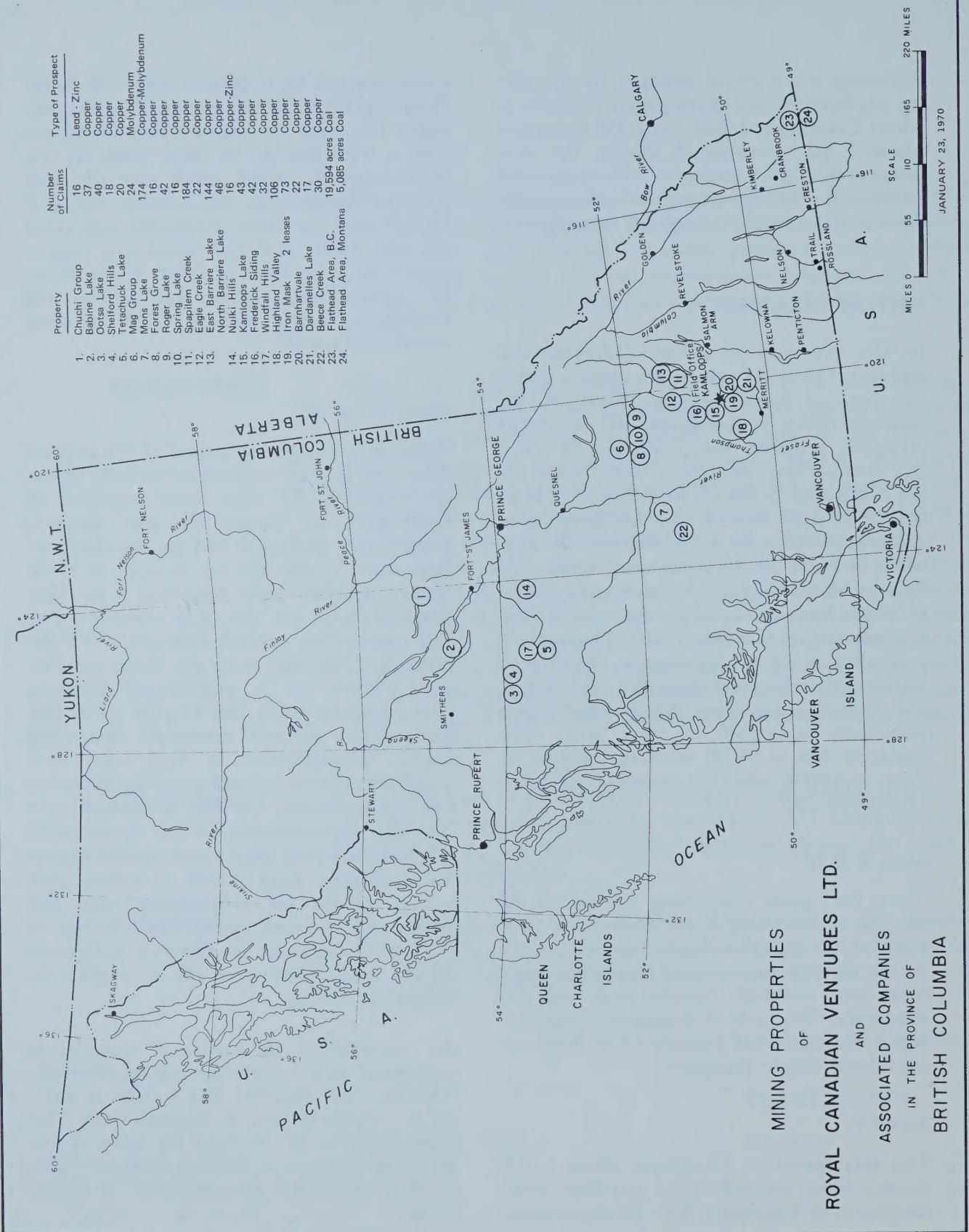
This area comprises 73 mineral claims and 2 mineral leases located in the Iron Mask area, southwest of Kamloops, B.C. An exploration

agreement has been entered into with Great Plains Development Company of Canada Ltd., under the terms of which Great Plains can earn a 60% interest in these lands by the expenditure of certain funds over the next 3 years. Geophysical, geochemical and geological work has been conducted over some of these lands and two interesting copper anomalies have been outlined. Great Plains has advised the Group that drilling will commence during January 1970 on these anomalous zones.

Areas 11 & 13

These areas comprising a total of 374 mineral claims are located in the Barriere Lake region approximately 50 miles north northeast of Kamloops, B.C. During the past summer, geophysical, geological and geochemical surveys were conducted on certain of these lands, namely those designated as East Barriere Lake on the map accompanying this report. Five vertical diamond drill holes totalling 2,200 feet were put down on 400-foot centres on a geochemical anomaly approximately 9,000 feet long by 2,000 feet wide. These showed extremely interesting copper mineralization in each hole. Two porphyry type mineralized zones are indicated, one approximately 100 feet in thickness and the other approximately 50 feet in thickness. Chemical assays of these zones yielded copper values ranging from 0.20% to 0.44%, with minor amounts of molybdenum, gold and silver. An induced polarization survey is planned to determine the direction and extent of the mineralized zone and as a guide to follow-up drilling.

An exploration agreement is now being negotiated with a Canadian mining company whereby that company has a right to earn up to a 51% interest in approximately 140 mineral claims of the total by carrying out an exploration and drilling program. This work is scheduled to commence in April, 1970.



MINING EXPLORATION AND DEVELOPMENT

NORTHWEST TERRITORIES

During 1969 the Dynamic Group initiated an active exploration program in the Northwest Territories and from this work the following programs are now in the final stages of preparation for 1970.

Nonacho Area

Some 300 mineral claims have been staked in this area and a work program is being carried out by Canadian Superior Exploration Limited who have the right to earn a 51% interest therein by the expenditure of certain exploration funds. An active exploration program consisting of geophysical, geological and geochemical studies has been undertaken this past summer and some drilling has been done. The winter's program, consisting of further geophysics and drilling commenced early in January 1970, and one drill is now on the site. The company owns 14.3% of the interest held by the Dynamic Group in these properties.

Baker Lake Area

In this area four mineral prospecting permits each containing approximately 165,000 acres are held by the Dynamic Group and partners. The location of the permits, the participants and their respective interests are shown on the map of this area accompanying this report. In addition, 75 mineral claims are held by the same participants.

Shallow test drilling on two anomalous areas has yielded very encouraging uranium results as well as base metals possibilities. One hole on the first anomaly averaged over its entire

length of 46 feet, by chemical analysis, 1.54 pounds of U_3O_8 per ton. A drill hole on the second anomaly averaged over a 22 foot section, by chemical analysis, 6.76 pounds of U_3O_8 per ton. Several hundred anomalies remain to be investigated and a large program including geological mapping, geochemical and geophysical surveys, both airborne and surface, together with deep drilling on known mineralization is planned to commence in April, 1970. All work on this program has been under the control of A.C.A. Howe International Limited as consulting geologists in this area, while Scintrex Limited and Geoterrex have provided geophysical contracting and consulting services.

The company owns 14.3% of the interest held by the Dynamic Group in these properties.

Kazan Falls Area

The Dynamic Group has conducted an extensive airborne survey over the Kazan Falls region of the Northwest Territories and as a result of surveys and considerable ground follow-up, some 800 mineral claims have been staked on the anomalous areas where uranium mineralization has been delineated on the ground. The Group is now negotiating a farmout venture on these lands and a major work program consisting of airborne and ground geophysics, geological mapping and geochemistry, as well as deep drilling is envisioned.

The company owns a 14.3% working interest in this property.

MINERAL PROSPECTING PERMITS

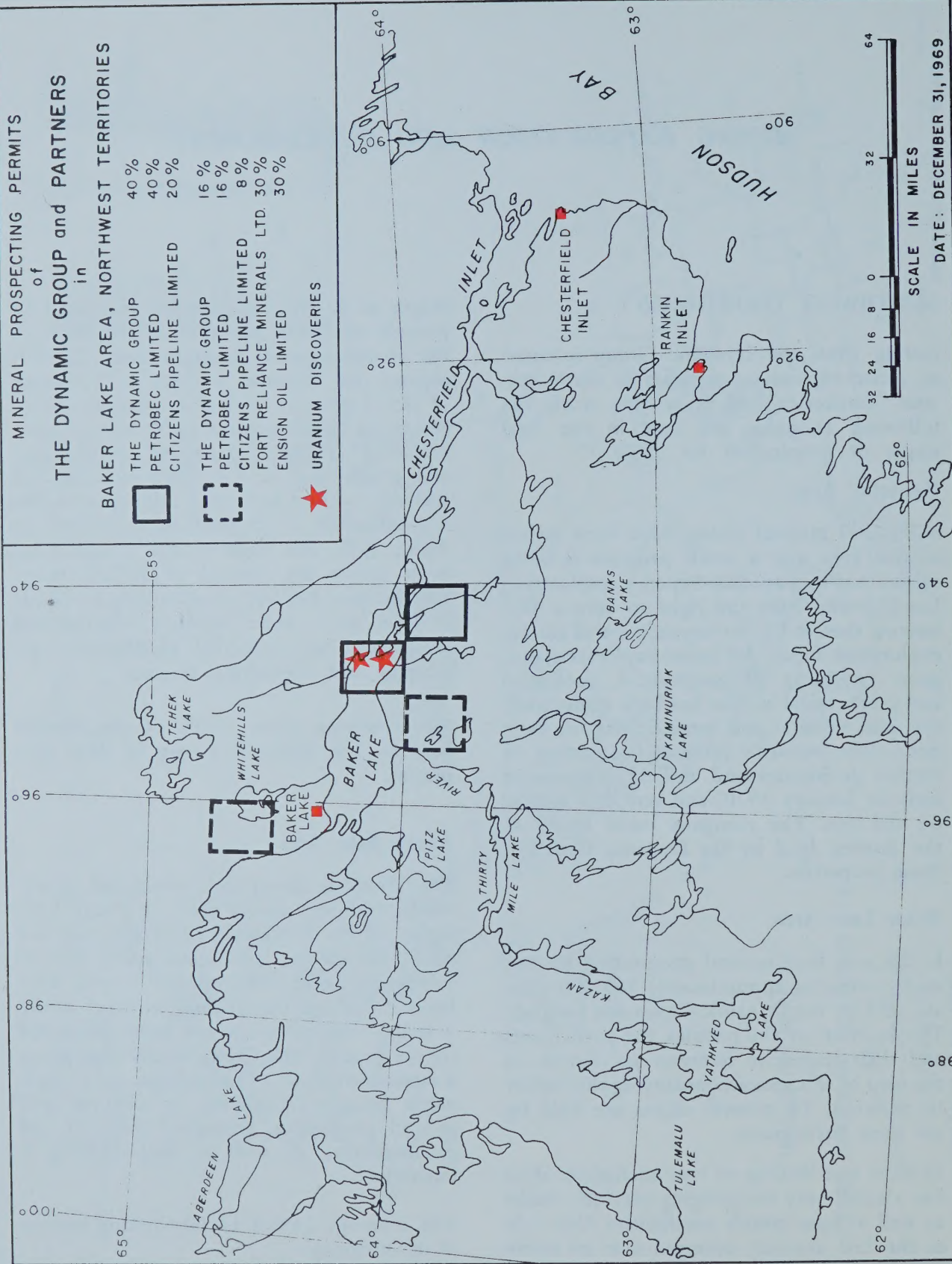
of in THE DYNAMIC GROUP and PARTNERS

BAKER LAKE AREA, NORTHWEST TERRITORIES

THE DYNAMIC GROUP	40 %
PETROBEC LIMITED	40 %
CITIZENS PIPELINE LIMITED	20 %
THE DYNAMIC GROUP	16 %
PETROBEC LIMITED	16 %
CITIZENS PIPELINE LIMITED	8 %
FORT RELIANCE MINERALS LTD.	30 %
ENSIGN OIL LIMITED	30 %



URANIUM DISCOVERIES



SCALE IN MILES
0 8 16 24 32 40 48 56 64

DATE: DECEMBER 31, 1969

MINING EXPLORATION AND DEVELOPMENT

NORTHERN SASKATCHEWAN

Area 1

Since Gulf Minerals Company made their initial uranium discovery in late 1968, they have undertaken a multi-phase operation on the lands in which the Dynamic Group maintains a net profits interest. Both Gulf and ourselves are tremendously enthusiastic about the results obtained to date.

As a result of their 1968 exploration program, Gulf selected a site for a deep test which they drilled to in excess of 5,000 feet on one of the three permits located in the centre of the Athabasca Sandstone Basin. No information has been released as yet on the results of this test. The program for the eastern permits which contain in excess of 1,240,000 acres, was broken down into two parts - a general exploration program over the main portion of the lands and an exploration and development program on the discovery area now known as the Rabbit Lake deposit. The general exploration program is being conducted out of the Gulf City camp as an independent operation, with selected personnel experienced in modern geological and geophysical methods and the Rabbit Lake development is being conducted out of a new camp located at the deposit where modern permanent buildings have been constructed. Drilling on this deposit commenced in February, 1969 and continued with three drills on a 24-hour basis until the end of October, 1969 when drilling was suspended over the freeze-up period.

Initial drilling was done to determine the length of the ore body; however, when some 1,600 feet of strike length had been obtained, the program was changed to in-fill drilling to provide information for calculating ore reserves, ore grade, mining costs and other economic studies necessary to determine mine and mill feasibility. At the present time Gulf geological, geophysical and engineering personnel are actively engaged in studying and correlating the results obtained to date on the Rabbit Lake ore body and in expediting the winter program which commenced on January 5, 1970. The program will allow drilling over water areas while they are frozen and will permit Gulf to further delineate the bounds of the present ore body. At the present time five diamond drills are in operation evaluating this ore body.

Independent of this operation, a winter drilling program was commenced on January 5, 1970, by Gulf Minerals on several of the uranium prospects located during the year as a result of the general exploration program. Three drills will be employed on this project during the winter program, each located on a separate prospect.

Shareholders will be kept advised as Gulf releases further details of its Rabbit Lake ore body and the scheduled exploitation thereof.

Consolidated East Crest has a direct 12.5% interest in 20% of the net profits accruing under the terms of the Gulf Minerals agreement.

Area 7

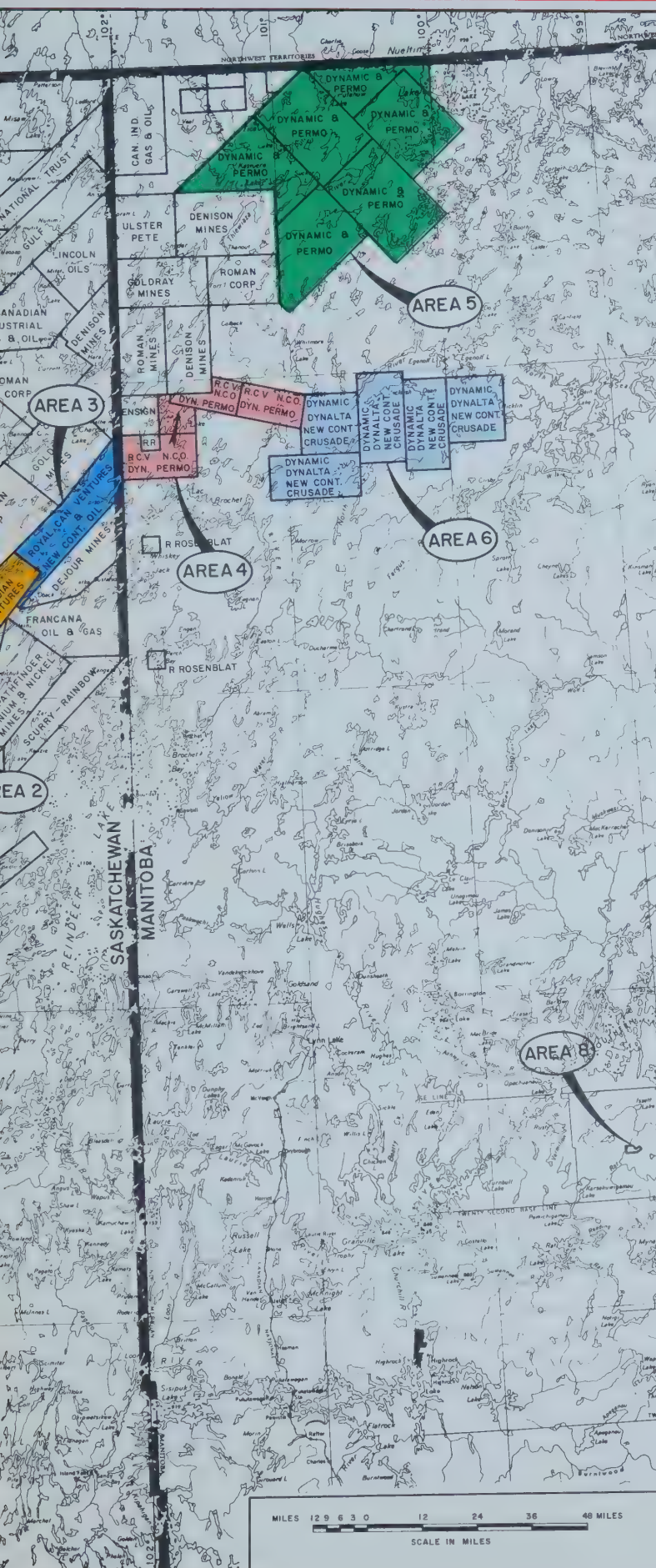
This area comprises three mineral exploration permits held in the name of Dynamic Petroleum Products Ltd. The company has a direct 12.5% interest in these permits which contain approximately 400,000 acres located on the southwest end of the Wollaston Lake fold belt.

During the summer of 1969 an airborne survey was conducted by Scintrex over these lands with electromagnetic, magnetic and spectrometer systems installed in a helicopter. Flight lines were flown at right angles to the strike of the formation on a quarter-mile spacing. During the same period our geological crews were on the ground checking anomalies as these became available and generally mapping the permits. Some radioactive anomalies were checked out on the ground with one showing as a prime prospect. Although time did not permit detailed evaluation of this prospect, surface sampling indicated uranium mineralization over considerable length and width. This prospect plus the remainder of the results from the 1969 airborne program are scheduled for evaluation during our 1970 exploration program.

Area 9

This area comprising 27,635 acres, lies in the Head Lake region, northwest of La Ronge, Saskatchewan, in proximity to a recently announced nickel discovery. Airborne magnetics and electromagnetics have been flown over these properties and further surface work on airborne anomalies is now being considered. The company has a direct 14.3% interest in this property.





WOLLASTON LAKE URANIUM AREA CANADA

AREA



GULF 80% AND THE DYNAMIC GROUP 20%

DYNAMIC PETROLEUM PRODUCTS LTD.
ROYAL CANADIAN VENTURES LTD.
MILL CITY PETROLEUMS LIMITED
CONSOLIDATED EAST CREST OIL COMPANY LIMITED
NEW CONTINENTAL OIL COMPANY OF CANADA LIMITED
CRUSADE PETROLEUM CORPORATION LIMITED
DYNALTA OIL & GAS LTD.



AREA OF COMMON INTEREST as defined under the Gulf - Dynamic Group Agreement — approximately 20,000,000 acres.



ROYAL CANADIAN 20%
NEW CONTINENTAL 20%
EXCEL PETROLEUMS LTD. 40%*
SCURRY-RAINBOW OIL LIMITED 20%*

*Subject to an expenditure of \$1,700,000 in a period of four years or less; otherwise the interest reverts to Royal Canadian and New Continental.

**Subject to the proviso that Scurry-Rainbow shall be obligated to assume and pay 60% of such additional expenditures up to a maximum of \$5,000,000.



ROYAL CANADIAN 20%
NEW CONTINENTAL 20%
SCURRY-RAINBOW 40%*
SCURRY-RAINBOW 20%*

*Subject to an expenditure of \$825,000 in a period of four years or less; otherwise the interest reverts to Royal Canadian and New Continental.

**Subject to the proviso that Scurry-Rainbow shall be obligated to assume and pay 60% of such additional expenditures up to a maximum of \$5,000,000.



ROYAL CANADIAN 10%
NEW CONTINENTAL 10%
DYNAMIC PETROLEUM 16%
PERMO GAS & OIL LIMITED 4%
SCURRY-RAINBOW 40%*
SCURRY-RAINBOW 20%*

*Subject to an expenditure of \$678,500 in a period of four years or less; otherwise the interest reverts to Royal Canadian and New Continental.

**Subject to the proviso that Scurry-Rainbow shall be obligated to assume and pay 60% of such additional expenditures up to a maximum of \$5,000,000.



DYNAMIC PETROLEUM 64%*
PERMO GAS & OIL LIMITED 16%*
SCURRY-RAINBOW 20%*

*Subject to Scurry-Rainbow having the option to earn one half of this interest in 1970.

**Subject to the proviso that Scurry-Rainbow shall be obligated to assume and pay 60% of such additional expenditures up to a maximum of \$5,000,000.



DYNAMIC PETROLEUM 25%*
DYNALTA OIL & GAS CO. LTD. 25%*
NEW CONTINENTAL 25%*
CRUSADE PETROLEUM 25%*

*Subject to the right of Dynamic Mining to earn a 40% interest by spending \$150,000.



THE DYNAMIC GROUP 87%

NEW CONTINENTAL 50%
ROYAL CANADIAN 50%

24 Mineral Claims

NOTE 1

The net profits interest retained by the Dynamic Group of Companies under the terms of the Gulf agreement before and after taking into consideration the inter-company share ownership, is shared approximately as follows:

	Direct Interest %	Approximate Indirect Interest in Inter-Company Shareholdings %	Total %
Dynamic Petroleum Products Ltd.	12.50	12.99	25.49
Royal Canadian Ventures Ltd.	12.50	5.00	17.50
Mill City Petroleum Limited	12.50	13.78	26.28
Permo Gas & Oil Limited	—	19.24	19.24
New Continental Oil Company of Canada Limited	12.50	3.57	16.07
Consolidated East Crest Oil Company Limited	12.50	0.26	12.76
Crusade Petroleum Corporation Limited	12.50	0.22	12.72
Dynalta Oil & Gas Co. Ltd.	12.50	0.25	12.75
	87.50	Totals not Applicable	

NOTE 2

Scurry-Rainbow Oil Limited acquired its 20% interest in the various agreements indicated in the legend for a consideration of 15,000 shares of Scurry-Rainbow or \$600,000, and also an undertaking by Scurry-Rainbow to assume and pay 60% of such additional expenditures as may be required up to a maximum of \$5,000,000 on each of the four agreements for a total of \$20,000,000 maximum.

NOTE 3

The permits on this map are in the names of the companies as shown and compiled from information believed to be reliable but not guaranteed.

These permits give the holder the right to explore for all minerals (including uranium) but excepting petroleum and natural gas, coal, and in Saskatchewan, those described as alkali minerals.

Average Permit size - 192,000 acres (300 square miles).

NOTE 4

Permits as at November 30, 1969.

Consolidated East Crest

(Incorporated under

BALANCE

AUGUST 31, 1969

ASSETS

	<u>1969</u>	<u>1968</u>
CURRENT		
Cash	\$ 15,045	\$ 5,191
Bank deposit receipt	40,000	—
Marketable securities at cost (quoted market value 1969 - \$9,675; 1968 - \$29,749)	12,150	27,250
Accounts receivable	19,704	26,345
	<u>86,899</u>	<u>58,786</u>
DEPOSITS AND OTHER		
Operating and performance deposits	13,500	1,767
Special 5% refundable tax	—	1,383
	<u>13,500</u>	<u>3,150</u>
INVESTMENTS		
Shares of Mill City Petroleums Limited - at cost (quoted market value 1969 - \$247,500; 1968 - \$100,500)	150,000	150,000
PROPERTY, PLANT AND EQUIPMENT - AT COST		
Non-producing properties	209,533	220,969
Producing properties	1,326,147	1,326,147
Producing oil and gas wells	161,362	164,295
Production and other equipment	83,719	73,934
	<u>1,780,761</u>	<u>1,785,345</u>
Less accumulated depreciation - \$17,595 and depletion - \$439,517	457,112	381,377
	<u>1,323,649</u>	<u>1,403,968</u>
	<u>\$1,574,048</u>	<u>\$1,615,904</u>

Oil Company Limited

(In accordance with the laws of Canada)

SHEET

(with comparative figures at August 31, 1968)

LIABILITIES

	1969	1968
CURRENT		
Accounts payable	\$ 30,934	\$ 31,099
Advances from affiliated company	200,000	—
Advances from parent company	—	100,000
Current maturities of bank loan	100	25,000
	<u>231,034</u>	<u>156,099</u>
 BANK LOAN	 100	 100,000
Less instalments due within one year included in current liabilities	<u>100</u>	<u>25,000</u>
	<u>—</u>	<u>75,000</u>
 SHAREHOLDERS' EQUITY		
Capital -		
Authorized - 5,000,000 common shares without par value		
Issued - 1,599,174 shares	2,122,949	2,122,949
Deficit	779,935	738,144
	<u>1,343,014</u>	<u>1,384,805</u>
 On behalf of the Board:		
 FRANK BROWN, Director		
ARCHIE P. NEWALL, Jr., Director		
	<u>\$1,574,048</u>	<u>\$1,615,904</u>

See accompanying notes.

Consolidated East Crest Oil Company Limited

STATEMENT OF INCOME AND DEFICIT

For the Year Ended August 31, 1969

(with comparative figures for 1968)

	<u>1969</u>	<u>1968</u>
REVENUE		
Crude oil and natural gas sales	\$194,652	\$202,611
Less production expenses	40,911	55,531
	<u>153,741</u>	<u>147,080</u>
Royalties	1,388	3,468
Rentals	1,301	1,200
Interest and dividends	1,846	2,637
Other	714	—
	<u>158,990</u>	<u>154,385</u>
EXPENSES		
Administrative and general	41,353	28,467
Exploration and survey costs	47,793	70,003
Property carrying costs, lease rentals, etc.	6,341	10,780
Interest	13,581	5,970
	<u>109,068</u>	<u>115,220</u>
CASH EARNINGS FROM OPERATIONS	<u>49,922</u>	<u>39,165</u>
DEDUCT		
Depletion	72,571	69,637
Depreciation	5,353	3,355
Abandonments:		
Petroleum and natural gas interests	13,436	14,887
Well development costs	10,682	214,861
	<u>102,042</u>	<u>302,720</u>
ADD		
Gain on sale of properties	—	21,500
Gain on disposal of equipment	5,079	(6,223)
Gain on sale of securities	5,250	(94)
	<u>10,329</u>	<u>15,183</u>
NET LOSS FOR THE YEAR	41,791	248,372
DEFICIT, BEGINNING OF YEAR	738,144	489,772
DEFICIT, END OF YEAR	<u>\$779,935</u>	<u>\$738,144</u>

Consolidated East Crest Oil Company Limited

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended August 31, 1969

(with comparative figures for 1968)

	1969	1968
SOURCE OF FUNDS		
Cash earnings from operations	\$ 49,922	\$ 39,165
Sale of properties	—	21,500
Gain on sale of marketable securities	5,250	—
Special refundable tax	1,383	1,710
	<u>56,555</u>	<u>62,375</u>
APPLICATION OF FUNDS		
Petroleum and natural gas and mining interests	2,000	110,772
Well development costs, including dry holes	7,749	202,616
Production and other equipment - net	6,895	34,480
Increase in operating and performance deposits	11,733	(27,083)
Bank loan net of amount included in current liabilities . .	75,000	(75,000)
	<u>103,377</u>	<u>245,785</u>
DECREASE IN WORKING CAPITAL	46,822	183,410
WORKING CAPITAL DEFICIENCY, beginning of year . . .	<u>97,313</u>	<u>(86,097)</u>
WORKING CAPITAL DEFICIENCY, end of year	<u>\$144,135</u>	<u>\$ 97,313</u>

See accompanying notes.

Consolidated East Crest Oil Company Limited

NOTES TO FINANCIAL STATEMENTS

August 31, 1969

1. ACCOUNTING POLICY

The Company's policy is to capitalize the acquisition costs of petroleum and natural gas and mining interests together with development costs thereon. Carrying costs and exploration expenses are charged against income as incurred. Acquisition costs of producing properties together with related development costs and production equipment are written off on a unit of production method based on estimated recoverable reserves. The costs of non-producing properties and unproductive development are charged against income in the year of abandonment.

2. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The Company bears a portion of the total remuneration paid to its directors and senior officers who are paid by an affiliated company. The amount of such remuneration allocated to the company during the year amounted to \$10,308 and is included in administrative and general expense.

3. INCOME TAXES

For income tax purposes, the Company is entitled to claim drilling, exploration and lease acquisition costs and capital cost allowances (depreciation) in amounts which exceed the related charges against earnings. As a result, no income taxes are payable for the current year and at August 31, 1969 accumulated expenditures remain to be carried forward and applied against future income as follows:

Drilling, exploration and lease costs	\$309,545
Undepreciated capital cost	\$ 55,120

The Accounting and Auditing Research Committee of The Canadian Institute of Chartered Accountants recommends income tax allocation for all differences in the timing of deductions for tax and accounting purposes which originate in the financial years commencing on or after January 1, 1968. The Company does not believe that tax allocation in respect of drilling, exploration and lease acquisition costs is appropriate and many other companies in the oil and gas industry in Canada are in agreement with this opinion. Accordingly, no provision has been made for deferred taxes on timing differences involving such costs. For 1969, capital cost allowances claimed will not exceed depreciation provided in the accounts. Opinion Number 11 of the Accounting Principles Board of the American Institute of Certified Public Accountants does not require tax allocation on timing differences arising from intangible development costs in the oil and gas industry at this time.

Had provision for deferred income taxes been made with respect to all differences in timing of deductions for tax and accounting purposes the provision for deferred income taxes and the resulting increase in the net loss for the year ended August 31, 1969 would have been approximately \$5,800. The accumulated income tax deferrals relative to all timing differences amount to approximately \$61,000 at August 31, 1969.

AUDITORS' REPORT

To the Shareholders of
Consolidated East Crest Oil Company Limited

We have examined the balance sheet of Consolidated East Crest Oil Company Limited as at August 31, 1969 and the statements of income and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at August 31, 1969, the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.
Chartered Accountants

Calgary, Alberta
November 6, 1969.

Consolidated East Crest Oil Company Limited

ACREAGE HOLDINGS AT AUGUST 31, 1969

PETROLEUM AND NATURAL GAS INTERESTS

PRODUCING P&NG LEASES	ACREAGE	INT. %	FARMEE OR OPERATOR
Alberta			
Rainbow	320	16.6666	New Continental Oil Company
Rainbow	480	33.3333	" " "
Fairydell	160	33.3333	Union Oil Company of Canada
	<u>960</u>		
UNITIZED		TRACT FACTOR	
Alberta			
Turner Valley Unit No. 7	100	1.0875	Gulf Oil Canada
Homeglen Rimbey Unit No. 1	160	.0074	Chevron Standard Limited
Pembina Cardium Unit No. 31	2,240	2.8584	Western Decalta Petroleum
Leduc Woodbend D-2A Unit	160	1.307	Imperial Oil Ltd.
Swan Hills Inverness Unit No. 1	640	.5537	Home Oil
Joarcam Unit No. 3	160	.6254	Imperial Oil Ltd.
	<u>3,460</u>		
NON-PRODUCING P&NG LEASES		INT. %	
Alberta			
Boundary Lake	1,064	12.5	Western Decalta Petroleum
Lanaway	480	50.	" " "
McLeod River	8,154	40.	" " "
Cyn-Pem	7,837	10.53	" " "
Cyn-Pem	320	20.	Ashland Oil
Cyn-Pem	480	10.	Western Decalta Petroleum
Cyn-Pem	1,600	11.76	" " "
Cyn-Pem	640	25.	Ashland Oil
Rainbow	480	33.3333	New Continental Oil Company
Rainbow South	320	20.	" " "
Sturgeon Lake	640	25.	Western Decalta Petroleum
Virginia Hills East	5,755	25.	Canadian Superior Oil Ltd.
Steele Lake	640	20.	Mill City Petroleums Ltd.
Saskatchewan			
Stoughton	320	33.3333	Canadian Superior Oil Ltd.
British Columbia			
Boundary Lake	160	10.	Western Decalta Petroleum
Buick Creek	5,163	12.5	" " "
Buick Creek	326	6.25	" " "
	<u>34,379</u>		

Interest percentages, unless otherwise noted, are working interests.
 GOR - Gross Overriding Royalty.
 NPI - Net Profits Interest.

NON-PRODUCING (cont'd) P&NG LEASES	ACREAGE	INT. %	FARMEE OR OPERATOR
Alberta			
Grande Prairie	5,102	.625	GOR French Petroleum
McLeod River	49,710	1.	GOR Hudson's Bay Oil & Gas
Hondo	17,760	2.5	GOR Seafort Petroleum
British Columbia			
Aitken Creek	50,454	1.	NPI Union Oil of Canada
Saskatchewan			
Sask. 4-Way Group	800	.625	GOR Canadian Superior Oil Ltd.
Cabri	477	.2083	GOR Anadarko Petroleum
Cabri	1,436	.1042	GOR " "
Cabri	798	.4167	GOR " "
	<u>126,537</u>		

MINERAL INTERESTS

BRITISH COLUMBIA CLAIMS	NUMBER	INT. %	FARMEE OR OPERATOR
B Group	30	14.2857	Royal Canadian Ventures Ltd.
Babine Lake	28	"	" " "
Chuchi	52	"	" " "
Crescent Lake	4	"	" " "
Dardanelles Lake	18	"	" " "
Eagle Creek	40	"	" " "
East Barriere Lake	117	"	" " "
Forest Grove	16	"	" " "
Frederick Siding	36	"	" " "
Harper Creek	10	"	" " "
Iron Mask	68	"	" " "
Kamloops Lake	44	"	" " "
Mag	24	"	" " "
Mons Lake	174	"	" " "
Niskonlith Creek	32	"	" " "
Nulki Hills	16	"	" " "
Ootsa Lake	40	"	" " "
Roger Lake	42	"	" " " "
Shelford Hills	18	"	" " "
Spring Lake	16	"	" " "
Tetachuck Lake	20	"	" " "
Windfall Hills	32	"	" " "
	<u>877</u>		

LEASES			
Iron Mask	<u>2</u>	14.2857	Royal Canadian Ventures Ltd.

SASKATCHEWAN PERMITS	ACREAGE		
Wollaston Lake	1,820,366	12.5% interest in 20% defined net profits interest	Gulf Minerals Company
Wollaston Lake	555,800	12.5	New Continental Oil Company
CLAIM BLOCKS			
Head Lake	27,635	14.2857	New Continental Oil Company

NORTHWEST TERRITORIES PERMITS			
Baker Lake	337,010	5.7143	Petrobec Limited
Baker Lake	333,960	2.2857	New Continental Oil Company
CLAIMS			
Hjalmar Lake	269 cl.	14.2857	Canadian Superior Exploration

CONSOLIDATED EAST CREST OIL COMPANY LIMITED

Unaudited Report for the Six Months ended February 28, 1969
(With comparative figures for 1968)

STATEMENT OF INCOME AND EXPENSES

	1969	1968
REVENUE		
Crude oil and natural gas sales, less royalties	\$ 98,043	\$101,805
Less production expenses	19,890	26,249
Royalties	78,153	75,556
Interest and dividends	660	2,213
Other	225	1,069
	<u>1,301</u>	<u>1,200</u>
	80,339	80,038
EXPENSE		
Administrative and general	17,734	11,780
Interest	5,074	-
Exploratory costs, lease rentals, etc.	19,112	44,584
	<u>41,920</u>	<u>56,364</u>
CASH EARNINGS FROM OPERATIONS	38,419	23,674
ADD		
Gain on sale of capital assets	5,084	-
	<u>43,503</u>	<u>23,674</u>
DEDUCT		
Abandonments		
Petroleum and natural gas interests	220	9,142
Well development costs	107	46,000
Depletion and depreciation	34,300	55,142
	<u>34,627</u>	<u>55,142</u>
NET PROFIT (LOSS) FOR THE PERIOD	<u>\$ 8,876</u>	<u>\$ (31,468)</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

SOURCE OF FUNDS		
Cash earnings from operations	\$ 38,419	\$ 23,674
Proceeds from sale of properties and equipment	5,084	-
Special refundable tax	1,383	-
	<u>44,886</u>	<u>23,674</u>
APPLICATION OF FUNDS		
Petroleum and natural gas and mining interests	214	110,000
Well development costs, including dry holes	5,051	106,943
Production equipment	2,789	31,864
Increase in performance deposits	7,608	(7,793)
Retirement of bank loan	11,000	-
	<u>26,662</u>	<u>241,014</u>
INCREASE (DECREASE) IN WORKING CAPITAL	18,224	(217,340)
WORKING CAPITAL DEFICIENCY, beginning of period	97,313	(86,097)
WORKING CAPITAL DEFICIENCY, end of period	<u>\$ 79,089</u>	<u>\$131,243</u>

(subject to adjustment at year end)

CONSOLIDATED
EAST CREST OIL
COMPANY LIMITED

INTERIM
REPORT

February 28th, 1969





WOLLASTON LAKE URANIUM AREA CANADA

GULF 80% AND THE DYNAMIC GROUP 20%

DYNAMIC PETROLEUM PRODUCTS LTD.
ROYAL CANADIAN VENTURES LTD.
MILL CITY PETROLEUMS LIMITED
CONSOLIDATED EAST CREST OIL COMPANY LIMITED
NEW CONTINENTAL OIL COMPANY OF CANADA LIMITED
CRUSADE PETROLEUM CORPORATION LIMITED
DYNALTA OIL & GAS LTD.

AREA OF COMMON INTEREST as defined under the Gulf - Dynamic Group Agreement - approximately 20,000,000 acres.

ROYAL CANADIAN 20%
NEW CONTINENTAL 20%
EXCEL PETROLEUMS LTD. 40%*
SCURRY-RAINBOW OIL LIMITED 20%**

*Subject to an expenditure of \$1,700,000 in a period of four years or less; otherwise the interest reverts to Royal Canadian and New Continental.

**Subject to the proviso that Scurry-Rainbow shall be obligated to assume and pay 60% of such additional expenditures up to a maximum of \$5,000,000.

ROYAL CANADIAN 20%
NEW CONTINENTAL 20%
SCURRY-RAINBOW 40%*
SCURRY-RAINBOW 20%**

*Subject to an expenditure of \$825,000 in a period of four years or less; otherwise the interest reverts to Royal Canadian and New Continental.

**Subject to the proviso that Scurry-Rainbow shall be obligated to assume and pay 60% of such additional expenditures up to a maximum of \$5,000,000.

ROYAL CANADIAN 10%
NEW CONTINENTAL 10%
DYNAMIC PETROLEUM 16%
PERMO GAS & OIL LIMITED 4%
SCURRY-RAINBOW 40%*
SCURRY-RAINBOW 20%**

*Subject to an expenditure of \$678,500 in a period of four years or less; otherwise the interest reverts to Royal Canadian and New Continental.

**Subject to the proviso that Scurry-Rainbow shall be obligated to assume and pay 60% of such additional expenditures up to a maximum of \$5,000,000.

DYNAMIC PETROLEUM 32%
PERMO GAS & OIL LIMITED 8%
SUNLITE OIL COMPANY LTD. 40%*
SCURRY-RAINBOW 20%**

*Subject to an expenditure of \$800,000 in a period of two years or less; otherwise the interest reverts to Dynamic Petroleum and Permo Gas & Oil Limited.

**Subject to the proviso that Scurry-Rainbow shall be obligated to assume and pay 60% of such additional expenditures up to a maximum of \$5,000,000.

DYNAMIC PETROLEUM 25%
DYNALTA OIL & GAS CO. LTD. 25%
NEW CONTINENTAL 25%
CRUSADE PETROLEUM 25%

THE DYNAMIC GROUP 87%%

NEW CONTINENTAL 50%
ROYAL CANADIAN 50%
24 Mineral Claims

NOTE 1

The net profits interest retained by the Dynamic Group of Companies under the terms of the Gulf agreement before and after taking into consideration the inter-company share ownership, is shared approximately as follows:

	Direct Interest %	Approximate Indirect Interest in Inter-Company Shareholdings %	Total %
Dynamic Petroleum Products Ltd.	12.50	12.99	25.49
Royal Canadian Ventures Ltd.	12.50	5.00	17.50
Mill City Petroleum Limited	12.50	13.78	26.28
Permo Gas & Oil Limited	—	19.24	19.24
New Continental Oil Company of Canada Limited	12.50	3.57	16.07
Consolidated East Crest Oil Company Limited	12.50	0.26	12.76
Crusade Petroleum Corporation Limited	12.50	0.22	12.72
Dynalta Oil & Gas Co. Ltd.	12.50	0.25	12.75
	87.50	Totals not Applicable	

NOTE 2

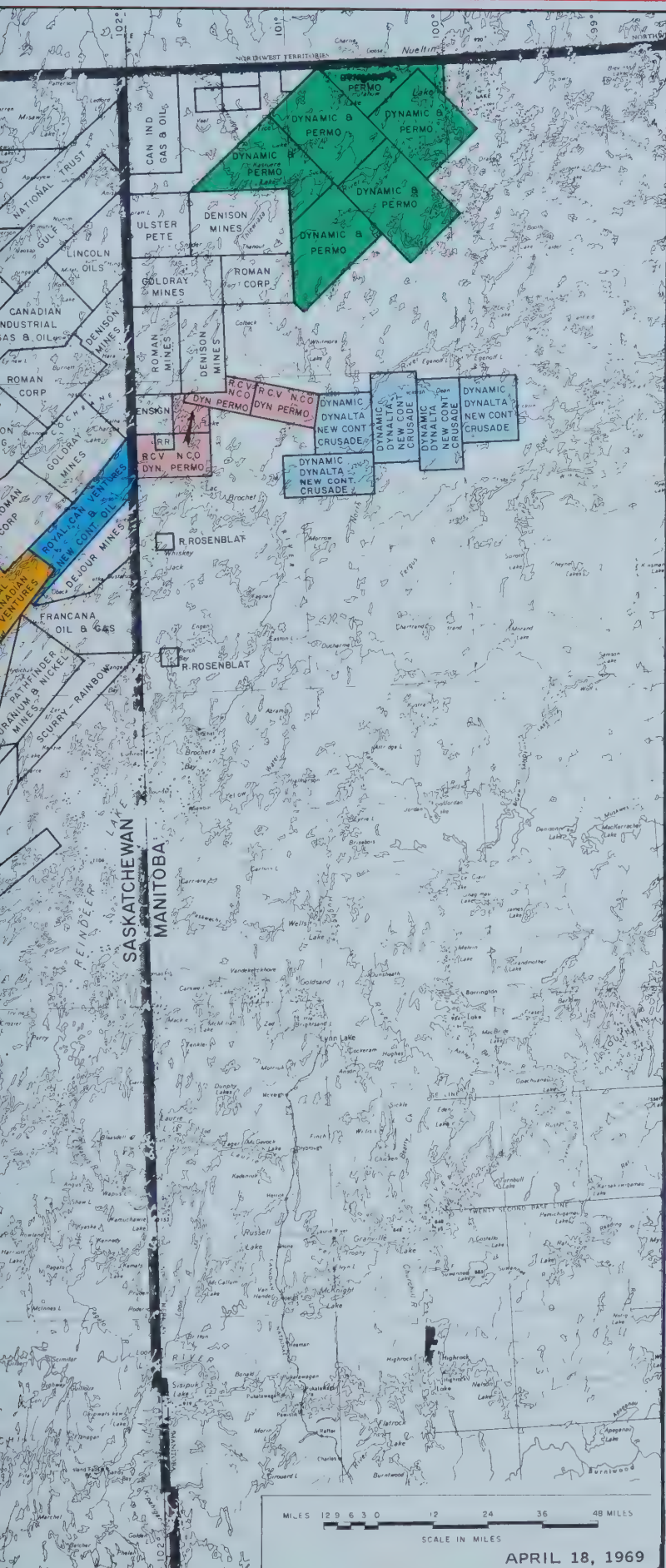
Scurry-Rainbow Oil Limited acquired its 20% interest in the various agreements indicated in the legend for a consideration of 15,000 shares of Scurry-Rainbow or \$600,000, and also an undertaking by Scurry-Rainbow to assume and pay 60% of such additional expenditures as may be required up to a maximum of \$5,000,000 on each of the four agreements for a total of \$20,000,000 maximum.

NOTE 3

The permits on this map are in the names of the companies as shown and compiled from information believed to be reliable but not guaranteed.

These permits give the holder the right to explore for all minerals (including uranium) but excepting petroleum and natural gas, coal, and in Saskatchewan, those described as alkali minerals.

Average Permit size - 192,000 acres (300 square miles).



APRIL 18, 1969

TO THE SHAREHOLDERS:

JOINT MINERAL EXPLORATION PROGRAM

Saskatchewan

In February, 1969, Gulf Minerals Company re-entered the Wollaston Lake area with one drill to commence evaluating and to determine the extent of the highly promising Uranium discovery made in late 1968. To date additional holes have been drilled but the results have not as yet been made public; however, two more drills have been moved into the area to speed up evaluation.

Gulf has let a contract for the drilling of a deep test (3000' - 5000') on the three-permit group lying in the centre of the Athabasca Sandstone basin. This test should be commenced very soon with completion expected in June or July.

Consolidated East Crest, as part of the Dynamic Group of Companies, shares in the discovery and all the permit lands totalling approximately 1,850,000 acres contained in the Gulf Agreement. These permit lands are shown in red on the accompanying map with interests fully set out in Note 1. Also shown on this map in red outline is the area of common interest with Gulf, encompassing some twenty million acres.

Of particular interest are the three Dynamic permits lying to the Southwest of the Gulf discovery and shown in light green on the map. These permits totalling approximately 570,000 acres are owned by the Dynamic Group and until recently were tied up until final negotiations were concluded with Gulf in re-establishing our area of common interest. Serious negotiations are now underway to complete a joint development agreement on these tracts. Consolidated East Crest has a direct interest of 12½% in these lands.

and these together with former holdings give the Company direct interests in many potential mineral areas. Considerable geological and geo-physical work has been conducted on many of the claim groups during the past two years with some properties being scheduled for drilling later this year.

* * * * *

We would like to make it quite clear that mineral permits and reservations referred to herein give the holder not only the right to prospect for Uranium, but for all minerals except petroleum and natural gas, coal, and in Saskatchewan those described as Alkali Minerals.

Seigel and Associates Limited, Toronto, have been retained by the Group as Consulting Geophysicists for all mining exploration ventures. J. K. Booth and Associates Limited, Toronto, have been retained by the Group as Geological Consultants and will be responsible for nearly all field operations other than in British Columbia.

OIL AND GAS EXPLORATION AND DEVELOPMENT

Consolidated East Crest has not engaged in any new oil and gas exploration projects in the past six months as mining ventures have dominated the scene during this period. Geological evaluation of lands and new areas is being carried out continuously, and capital will be committed to exploration and development at the appropriate time.

Respectfully submitted
On Behalf of The Board of Directors,
FRANK BROWN, President

Calgary, Alberta
April 28, 1969

TRADING RANGE and VOLUME of SHARES of CONSOLIDATED EAST CREST OIL COMPANY LIMITED

Month	Low	High	Volume
May 1968	\$0.56	\$0.60	1,950
June	0.55	0.58	1,490
July	0.58	0.60	2,556
August	0.50	0.60	3,900
September	0.50	0.60	2,716
October	0.60	0.67	4,358
November	0.64	1.50	50,861
December	1.60	3.75	192,642
January 1969	3.00	5.70	114,842
February	4.10	5.65	30,734
March	4.15	9.55	80,495
April (1-18)	8.00	11.25	41,298

Northwest Territories

Consolidated East Crest is participating with the Dynamic Group in two separate projects in the Northwest Territories. Late last fall staking was completed on an interesting Uranium showing, and an option agreement has been entered into with a prominent U.S. oil corporation for further exploration of this area during this summer.

In the Baker Lake region, the Group recently acquired a major interest in approximately 375,000 acres of permits. This is a new potential uranium area and will be under active exploration this year by many prominent companies.

British Columbia

Consolidated East Crest, in co-operation with other members of the Dynamic Group, is continuing an active mineral exploration program in British Columbia. Several new groups of mineral claims have been staked or acquired recently,

Consolidated East Crest Oil Company Limited

INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation by the management of Consolidated East Crest Oil Company Limited (hereinafter called "the Company") of proxies to be used at the Annual General Meeting of the Shareholders of the Company to be held at the offices of the Company, 210 - 736 - 8th Avenue S.W., Calgary, Alberta, on Friday the 28th day of February, A.D. 1969 at the hour of 10:00 o'clock in the forenoon (M.S.T.) for the purposes set forth in the notice of the meeting accompanying this information circular. The costs incurred in the preparation and mailing of both the proxies and this information circular will be borne by the Company but the Company will not absorb any additional expense arising from this solicitation which is confined to the mailing of this information to registered shareholders. The information contained herein is given as of the date of the accompanying notice of meeting.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are Directors of the Company. The person or company submitting the proxy shall have the right to appoint a person to represent him or it at the meeting other than the person or persons designated in the form of proxy as submitted by the Company and such appointment may be exercised by the deletion or striking out of the persons so designated and inserting in the blank space provided in the proxy the name of the appointed representative, such deletion or striking out to be initialled by the person or officers signing such proxy.

Any person or company giving such proxy shall have the power to revoke such proxy at any time prior to the meeting providing such revocation is unconditional and signed and deposited with the Secretary of the Company or the scrutineers at or prior to the commencement of the said meeting.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the enclosed form of proxy will, in the absence of any instructions to the contrary, vote the shares in respect of which they are appointed, for the election of Directors as stated under that heading in this circular and for the appointment of auditors as stated under that heading in this circular. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting, provided that the Company is not aware, a reasonable time prior to the time this solicitation is made, that any such amendments, variations or other matters are to be presented for action at the meeting. At the time of printing this information circular the management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.

VOTING SHARES AND PRINCIPAL SHAREHOLDERS

On the date of the accompanying notice of meeting the Company had outstanding 1,599,174 common shares without nominal or par value, the holders of which are entitled to one vote for each such share registered in their name. Holders of common shares of record at the time and date of the meeting are entitled to vote at the meeting. The register of transfers will not be closed.

Permo Gas & Oil Limited (parent company) is the beneficial owner of 1,271,338 shares representing 79% of the issued and outstanding common shares of the Company.

ELECTION OF DIRECTORS

The following are the names of the persons for whom it is intended that votes will be cast for their election as Directors pursuant to the proxy which is hereby solicited: Frank Brown, Robert Clive Brown and Archibald P. Newall, Jr. The term of office for each Director is from the date of the meeting at which he is elected until the annual meeting next following or until his successor is elected or appointed.

Information Concerning Nominees as Directors

<u>Name</u>	<u>Year first became a Director</u>	<u>Shares of the Company beneficially owned</u>
Frank Brown	1966	1
Robert Clive Brown	1966	1
Archibald P. Newall, Jr.	1966	1

Shares beneficially owned in parent company

<u>Name</u>	<u>Shares of Permo Gas & Oil Limited</u>
Frank Brown	1
Robert Clive Brown	1
Archibald P. Newall, Jr.	1

The above named nominees during the past five years have been Directors and/or Officers of associated companies, Mill City Petroleums Limited, Dynamic Petroleum Products Ltd., and Royal Canadian Ventures Ltd. When Mill City Petroleums Limited acquired effective control of Permo Gas & Oil Limited (parent company) in 1966 they were elected Directors of Permo Gas & Oil Limited and of its subsidiaries, New Continental Oil Company of Canada Limited and Consolidated East Crest Oil Company Limited. Frank Brown is President of the Company and Robert Clive Brown is Vice-President.

According to information furnished by the respective Directors individually, they are collectively the beneficial owners of 29,919 shares of the capital stock of Mill City Petroleums Limited.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The Company bears a portion of the total remuneration paid to its Directors and Senior Officers who are paid by an associated company. The amount of such remuneration allocated to the Company during the year amounted to \$8,741 and in addition the sum of \$600 was allocated to cover pension or retirement benefits. These amounts are included in administrative and general expense in the Company's financial statements.

There are no options to purchase common shares of the Company held by any of its Directors or Senior Officers.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Clarkson, Gordon & Co., Chartered Accountants, Calgary, Alberta, the present auditors, as auditors of the Company to hold office until the next annual meeting of shareholders. The said auditors were appointed auditors for the Company at the annual meeting of shareholders held April 9, 1964.

DATED: January 27, 1969.

BY ORDER OF THE BOARD

E. F. LOWICK,
Secretary

EAST CREST OIL COMPANY LIMITED

Months ended February 28, 1970
(figures for 1969)

INCOME AND EXPENSES

	1970	1969
Income	\$105,777	\$ 98,043
Expenses	21,507	19,890
	84,270	78,153
	2,628	660
	755	225
	3,299	1,301
	90,952	80,339
	18,946	17,734
	61,612	19,112
	5,708	5,074
	86,266	41,920
	4,686	38,419
	2,723	5,084
	7,409	43,503
Investments	54,757	327
	42,858	34,300
	97,615	34,627
	\$ (90,206)	\$ 8,876

APPLICATION OF FUNDS

	\$ 4,686	\$ 38,419
	26,302	5,084
	-	1,383
	30,988	44,886
	286	214
	212	5,051
	1,462	2,789
	-	7,608
	-	11,000
	1,960	26,662
	29,028	18,224
Period	144,135	97,313
	\$115,107	\$ 79,089

(Amount at year end)

CONSOLIDATED EAST CREST OIL COMPANY LIMITED

A member of the DYNAMIC GROUP



INTERIM REPORT

February 28th, 1970

To the Shareholders:

NORTHERN SASKATCHEWAN

■ Gulf Minerals Company Operations

The Rabbit Lake uranium ore body in the Wollaston Lake area of the Province of Saskatchewan discovered in late 1968 by Gulf Minerals Company, a wholly owned subsidiary of Gulf Oil Corporation, has been declared by Gulf officials to be a viable mining project or, in other words, exploration work done to date has established an ore body of sufficient quantity and quality to proceed with the construction of a mill. However, there are two major obstacles involving political considerations and markets to be overcome before Gulf will be prepared to announce its construction plans.

On March 2, 1970, Prime Minister Trudeau announced in the House of Commons that the Canadian Government would be implementing regulations with regard to ownership in the Canadian Uranium Industry. On March 20, 1970, Energy, Mines and Resources Minister J.J. Greene made a statement in the House of Commons to the effect that the Government proposes to limit, by regulation, the extent of ownership of uranium producing enterprises in Canada by non-residents of Canada. Among other things, the Minister stated:

- That the regulations would distinguish between existing properties of demonstrated productive capacity and those developed in the future on the basis of exploration.
- That there would be a limit of 33% upon the aggregate foreign ownership of any uranium property of established productive capacity.
- That with regard to existing mines, the regulations will be effective as from the date of the Prime Minister's statement on March 2nd, but will not be retroactive in the sense of requiring foreign interests then holding more of the ownership than the prescribed limits, to divest themselves of surplus holdings.

With regard to the above item, Energy Minister Greene is reported to have told Parliament on April 10, 1970, that he felt the Gulf development fell within the retroactive guidelines and

that Gulf would not be subject to the ownership restrictions.

As mentioned above, Gulf is not prepared to announce its plans to proceed with the construction of a mill in the area until the aforementioned Government regulations are officially introduced and their position thereunder is established. In the interim, however, and presuming a favourable status quo, Gulf has stated, among other things, that:

- If the two major obstacles involving Government legislation and markets are overcome, construction of a mill could start this year.
- Gulf must have assured markets since uranium at present is in surplus supply. However, in this regard, Gulf is of the opinion that it will be able to dispose of its uranium production providing the ownership situation aforesaid is favourably clarified.
- While Gulf does not want to divulge the size of the ore body or the grades of ore, it is obvious that to justify a mill with a capacity of 2,000 tons of ore per day, producing 2,000 tons of uranium oxide per year and involving an investment of \$50,000,000, the ore body must be big.
- The mill would take three years to complete and would eventually employ about 400 highly skilled workers. The design would facilitate very quick and easy expansion.
- For purposes of comparison, preliminary engineering designs for the mill with an initial annual capacity of 2,000 tons of uranium oxide, would make it capable of serving the needs of four of the largest nuclear reactors built, or about 25% of the total current U.S. demand.
- The mine will be an open pit operation, as opposed to a shaft mine.
- The development of a mine and mill will involve the building of a new town-site and in this regard, according to Premier Thatcher, the Department of Municipal Affairs of the Province of Saskatchewan is already looking into this situation.

We are hopeful that the regulations referred to herein will be officially introduced within the next few weeks and that Gulf's ownership position in the Wollaston Lake uranium area will be clarified to the extent that Gulf will be able to announce definitive plans concerning construction of a mine and mill in this area.

Consolidated East Crest has a direct 12.5% interest in 20% of the net profits accruing under the terms of the agreement entered into with Gulf Minerals Company. This agreement covers approximately 1,244,366 acres of permit lands in the Wollaston Lake area and includes the Rabbit Lake ore body.

Shareholders of the Company will be kept informed concerning further developments.

BRITISH COLUMBIA

■ Barrier Lake Area

An exploration agreement between Consolidated East Crest Oil Company Limited and other members of the Dynamic Group of companies, and Ray Rock Mines Ltd., Toronto, Canada, has been completed, whereby Ray Rock has the right to earn up to a 51% interest in approximately 140 mineral claims by carrying out an exploration and drilling program with work scheduled to commence immediately. The block of claims which are located approximately 50 miles north/northeast of Kamloops, British Columbia, contain an interesting porphyry type copper discovery made by the Group last fall on the basis of diamond drilling done at that time.

■ Iron Mask Area

Under the terms of an exploration agreement between Consolidated East Crest Oil Company Limited and other members of the Dynamic Group, and Great Plains Development Company of Canada Ltd., involving a large group of claims in the Iron Mask area southwest of Kamloops, British Columbia, drilling has been proceeding since early in the new year. The prospects here are two interesting copper anomalies outlined earlier by geophysical, geochemical and geological exploration. Results of drilling done to date are very encouraging.

NORTHWEST TERRITORIES

■ Baker Lake Region

Following is the complete text of a press release made jointly by New Continental Oil Company of Canada Limited on behalf of the Dynamic Group of which Consolidated East Crest Oil Company Limited is a member, Petrobec Limited (a subsidiary of Westburne

International Industries Ltd.) and Citizens Pipeline Limited, on April 21, 1970, relative to work completed to date in the Baker Lake region of the Northwest Territories and plans for the remainder of 1970:

For Release Noon, April 21, 1970 *Summary*

- *Disclosure of discoveries of molybdenum and silver in addition to uranium at Baker Lake, Northwest Territories.*
- *Mineral holdings increased to 627,000 acres.*
- *Commencement by about May 1, 1970, of an extensive exploration and diamond drilling program.*

Two significant mineral discoveries were made in the Baker Lake region of the Northwest Territories by New Continental Oil Company of Canada Limited and its associates, Petrobec Limited of Montreal, a subsidiary of Westburne International Industries Ltd., and Citizens Pipeline Limited, a wholly owned subsidiary of Lochiel Exploration Ltd. of Calgary. The discoveries, both believed to be of hydrothermal origin and ore grade, are located on Exploration Permit No. 109 and resulted from ground followup to an airborne radiometric survey carried out by Scintrex Limited of Toronto. Consulting Geologists for the project are A.C.A. Howe International Limited, Toronto. Significant minerals encountered are uranium, molybdenum, and silver.

The first discovery was made on an anomaly located in the Kazan Sandstone where initial prospecting and trenching has been completed and a Winkie diamond drill (a prospecting drill used for shallow testing) was employed to drill one hole at -45 degrees at right angles to the structure to a depth of 46 feet. Chemical analyses over this 46 feet have yielded a continuous U₃O₈ content with an average of 0.077% (1.54#/Ton); also 0.025% molybdenum sulphide and traces of gold and silver.

The second discovery was made on an anomaly located approximately six miles north of the first, and is associated with a geologic feature in the basement granitic complex. A radioactive zone has been delineated by prospecting, and some trenching has been done. A hole drilled at -45 degrees at right angles to the structure to a depth of 36 feet with a Winkie diamond drill, yielded a chemical anal-

ysis of 0.338% U_3O_8 (6.76#/Ton) over a continuous 22-foot interval from 11 feet to 33 feet. The same drill hole yielded by chemical analysis 0.658% molybdenum sulphide over 14 feet, or 0.37% over 26 feet. One 2-foot sample averaged 2.00% U_3O_8 , 1.50 oz. of silver and 2.90% molybdenum sulphide.

A second hole on this anomaly, 220 feet from the first, was drilled at -45 degrees at right angles to the structure and gave erratic readings over its 38 feet of depth, ranging from nil to 0.06% U_3O_8 (1.2#/Ton). By chemical analysis the same drill hole indicated an average of 0.102% molybdenum sulphide over a length of 32 feet.

Both discoveries are highly encouraging because of their location on tide water and its beneficial effect on the potential economic development of the area.

Following the discoveries, 75 mineral claims were staked covering anomalies lying outside the permit areas. Recently three additional mineral prospecting permits have been acquired on trend by the group, bringing the total area now under permit to approximately 627,000 acres.

A large scale exploration and diamond drilling program is now being planned to commence in this area about May 1, 1970.

The project is owned 40% by the Dynamic Group, 40% by Petrobec Limited of Montreal, a subsidiary of Westburne International Industries Ltd., and 20% by Citizens Pipeline Limited, a wholly owned subsidiary of Lochiel Exploration Ltd. of Calgary.

A. P. Newall, Jr., President
New Continental Oil Company
of Canada Limited

Respectfully Submitted
On behalf of the Board of Directors
FRANK BROWN, President

Calgary, Alberta
April 21, 1970

CONSOLIDATED EAST CRE

Unaudited Report for the Six M
(With comparative

STATEMENT OF INC

REVENUE

Crude oil and natural gas sales, less royalties	
Less production expenses	
Royalties	
Interest and dividends	
Other	

EXPENSE

Administrative and general	
Exploratory costs and property carrying costs	
Interest	

CASH EARNINGS FROM OPERATIONS.

ADD

Gain on sale of capital assets	
--------------------------------	--

DEDUCT

Abandonments — petroleum and natural gas int	
Depletion and depreciation	

NET PROFIT (LOSS) FOR THE PERIOD

STATEMENT OF SOURCE AND

SOURCE OF FUNDS

Cash earnings from operations	
Proceeds from sale of properties and equipment	
Special refundable tax	

APPLICATION OF FUNDS

Petroleum and natural gas and mining interests	
Well development costs including dry holes	
Production equipment	
Increase in performance deposits	
Retirement of bank loan	

INCREASE IN WORKING CAPITAL

WORKING CAPITAL DEFICIENCY, beginning of p

WORKING CAPITAL DEFICIENCY, end of period

(subject to adjust